



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2982 (1962-A)

March 11, 1994

SUBJECT: Release Authority For Farmer Programs Normal Income
Chattel Security

TO: State Directors, District Directors, and County
Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to remind servicing officials of their authority to release normal income chattel security and the approved purposes for the disposition of security proceeds. The intended outcome is to provide uniformity in the way normal income security is released and also to provide authorized assistance where possible to help farm borrowers that need it.

IMPLEMENTATION RESPONSIBILITIES:

Section 1962.17 of FmHA Instruction 1962-A outlines the policies and authorities pertaining to the release of chattel security for loans. You are reminded that proceeds from the sale of normal income security **must** be released for the payment of essential farm operating and/or family living expenses, until such time as the loan that is secured is accelerated. Proceeds from the sale of basic security, however, cannot be used for essential farm operating or family living expenses. Basic security proceeds can only be used for purposes outlined in Paragraphs (iv) through (vii) of Section 1962.17(b)(2).

Examples of essential expenses are listed in Section 1962.17(2)(ii) and are discussed in Exhibit E of FmHA Instruction 1962-A. As the regulation indicates, not all the listed expenses will be essential for every farmer, and not all essential expenses are listed. Therefore, the servicing official must be sensitive to the particular needs of each farmer. If the nonpayment of any operating expense would prevent an operation from performing at

EXPIRATION DATE: February 28, 1995

FILING INSTRUCTIONS:
Preceding FmHA
Instructions 1962-A




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the planned level, then that expense would certainly be considered essential. In some cases, it may be necessary to release proceeds from the sale of 1993 crops to pay for essential 1994 farm operating and family living expenses to maintain the operation.

For a change in disposition of normal income security, prior approval is required as indicated in Section 1962.17(b)(5). The borrower and the County Supervisor will work together to amend the Farm and Home Plan and Form FmHA 1962-1, "Agreement For The Use of Proceeds/Release of Chattel Security." The County Supervisor will then notify the borrower in writing of the change in disposition or provide the borrower with a copy of the revised Farm and Home Plan. See Section 1962.17(b)(5) for the ways of obtaining and providing approval of a revised Farm and Home Plan.

If you have any questions, please contact Charles W. Thompson, Farmer Programs Loan Servicing and Property Management Division, at 202-690-0431.


MICHAEL V. DUNN
Administrator

Sent by electronic mail on 3-18-94 at 11:41 by GSS. State Directors should advise other personnel as appropriate.